Transcript of Remarks by Senator Kent Conrad (D-ND) at Press Conference Responding to Bush Administration's FY2005 Budget Submission February 2, 2004

Welcome. We're here to respond to the release of the President's budget today. And the first thing I'd draw to your attention, that under the President's budget our country will be spending \$991,000 a minute more than it takes in.

I think it may be helpful to review the past statements of the President in judging the credibility of the new budget. You'll recall, in 2001, he told us we could have massive tax cuts and, even if there was an economic slowdown, there would be no deficits. Well, that was wrong. We have massive deficits. In 2002, he told us that our deficit would be small and short term. Again, he was wrong. These have been large and long-term deficits. In 2003, he told us our current deficit is not large by historical standards. Wrong, again. We've got the biggest deficits in our history. And now he says he's going to cut the deficit in half over the next five years.

It reminds me more and more of what he did with the prescription drug bill, when we were moving to passage, he told us the bill would cost \$400 billion. Three months later, he told us it would cost \$530 billion. He's playing 'hide the ball.'

Let's go to the fifth year and look at the things that will contribute to adding to the debt that he is not telling the American people about. He says the deficit in that year will be \$237 billion. What he's not telling people is that he will also be taking \$239 billion of Social Security trust fund surpluses and using that to pay for other things. He's not telling people he's going to take \$23 billion of Medicare trust fund surplus to pay for other things. He's not telling us that that year will cost \$55 billion to deal with the crisis in the alternative minimum tax. As you know, in his budget, he deals with the alternative minimum tax for one year. The cost of doing that in 2009 will be \$55 billion. And he doesn't deal with the residual war cost which CBO says in that year will be \$30 billion.

You add it all up, he'll be adding over \$600 billion to the national debt in a year in which he's telling the American people the deficit will be \$237 billion. It doesn't sell. It doesn't translate. And it's not telling the American people the full story.

How is it that he hides the full story? Well, first of all, he doesn't deal with the fact that over the next decade, he's taking every penny of Social Security trust fund surplus and using that to pay for other things -- \$2.4 trillion not accounted for by the President.

He hides the full story by not dealing with the cost of his tax cuts beyond the five-year window. And you can see, beyond the five-year window the cost of those tax cuts absolutely explode. This is the tax cuts and the interest cost associated with them.

And he hides the full story from the American people by only adjusting for the alternative minimum tax for one year when we know it is a problem that is growing geometrically -- a \$658 billion 10-year cost to reform the alternative minimum tax.

And the problem here, as all of you know, about 3 million people are affected by it today. By the end of this ten-year period, 40 million people will be caught up in the alternative minimum tax. He addresses it for one year, and then just shuffles the cost off for future years.

And he hides the full story by not providing the long-term cost of the war on terror. The Congressional Budget Office tells us \$280 billion from 2005 to 2014.

The President acts with the American people as though by reducing the deficit in half over the next five years, which I've shown he clearly will not do, that he has somehow got the growth of the debt under control. He does not. The debt is growing dramatically. As this chart shows, if you put the things on the table that he is keeping from the American people in terms of extending his tax cuts, the alternative minimum tax, and his defense policy cost, the debt is soaring, to \$15 trillion by 2014.

What does that mean? Well, for every man, woman and child in this country, by 2009, their share of the debt will be over \$35,000. Over \$35,000.

The President is fond of saying, "It's the people's money, we ought to give it back to them." The President should acknowledge that it's now the people's debt. And when he talks about additional tax cuts and additional spending, he's talking about running up the debt. He's talking about running up their credit cards.

And where is he getting the money from? Well, much of it, of course, he's borrowing from Americans who buy bonds. But it's not just Americans. Now he's heavily financing this deep indebtedness by going to other countries and asking them for their money. Japan is in for over \$500 billion; China in for \$144 billion. And all of these numbers growing and growing very rapidly.

You know, the President has told us we can have even more tax cuts and more spending. Where is it coming from and what's the implications of these massive deficits? What he's putting in place is a huge future tax increase -- a debt tax that will fall on all Americans.

The President has said, well, the problem is spending. If one looks at federal spending as a share of gross domestic product, one sees that we have had a significant uptick since the year 2000. And the vast majority of the increase has been for defense and homeland security. Still, with those increases, one sees federal spending well below where it was in the '70s, '80s and '90s, as a share of our national income.

If you look at the revenue side, one sees where the deficits have absolutely exploded. On the revenue side, you can see in 2004, according to this budget, revenue will be at the lowest it's been since 1950 as a share of gross domestic product.

Let me just conclude with this. This elephant won't fly. You know, you can put wings on the elephant. You can do anything you'd like. But it won't get off the ground. This President's plan won't lift off the ground. It is so burdened by deficit and debt that it fundamentally threatens our economic security.

Question: Senator Conrad, how would you describe the President's philosophy, based on the priorities laid out in his budget?

Conrad Answer:

How would I describe his philosophy? It is a philosophy of borrow and spend. It is a philosophy of mortgage the future of this country in a way that is completely unaffordable. This President is running up deficits and debt that are simply stunning. He is the most fiscally irresponsible President in the history of the United States. That's what this budget reveals. And more than that, he is, I believe, revealing an unwillingness to be straight with the American people.

He says, "Well, we do have a deficit problem; I'll cut it in half." He's not cutting it in half. It's an absolute fiction. The debt is not going to increase by \$237 billion in 2009 as he asserts. It's going to increase by over \$600 billion that year.

And all of this, as Congressman Spratt has just indicated, right before the baby boomers retire, at the worst possible time. This is a time we ought to be paying down debt or pre-paying the liability in preparation for the retirement of the baby boomers. Instead, this President is massively increasing the indebtedness of this country.

Question: This question is for either of you. The President is calling for his tax cuts to be made permanent. Do you expect that your Republican colleagues will, indeed, push to make the tax cuts permanent? And if they do, how will Democrats respond?

Conrad Answer:

Well, the President has called for making the tax cuts permanent, even though we are deep in debt. You know, before he justified massive tax cuts by saying, "It's the people's money; we ought to give it back to the people." That's when we were in surplus. Now we're in debt. And so what he is saying to the American people is to give additional tax cuts, we've got to borrow the money.

You know, it is the people's money. It's also the people's debt. And what this President is doing is running up the debt at a record rate, having to borrow the money not just from us, but from abroad, putting a mortgage on our future. That threatens the economic security of the nation.

Now, I'd like to make just one other point that I made in my remarks, but I want to rivet the point. This President, who pledged to protect Social Security trust funds in his campaign, is taking every penny of Social Security trust fund surpluses, not just this year and next year, but every year for the entire decade, \$2.4 trillion of Social Security surpluses. And those are not really surpluses. Those monies are needed to meet the costs when the baby boomers retire.

You know, there is no serious plan here. This is kind of a circumstance in which the President puts out that he's going to restrict domestic spending to a one percent increase. That sounds as though you're doing something. He says he's going to cut the deficit in half. That sounds as though you're doing something.

But he's not. He's not. Because he's got all these things he's not talking about. He's not talking about the cost of his tax cuts beyond the five years. He's not talking about the additional cost of the war on terror. He's not talking about the money he's taking out of Social Security. He's not talking about the money he's taking out of Medicare. He's not talking about the additional cost of facing up to the alternative minimum tax problem.

So it's hide the ball. It's exactly what they did with the Medicare prescription drug bill.

Question: Some conservative Republicans are talking about an actual freeze in discretionary spending. What do you think of that?

Conrad Answer:

Well, my first question would be, are they including defense? Are they really going to --well, that's discretionary spending.

Question: Outside of defense.

Conrad Answer:

Outside of defense. Well, look, I welcome anybody's serious suggestion about how we begin to deal with this problem. As I showed you, the biggest problem is on the revenue side of the equation. We're going to have the lowest revenues as a share of our gross domestic product since 1950.

You'll recall when we had revenue as a high share of gross domestic product, three years ago, the President's answer was tax cuts. Now that it's the lowest it's been since 1950, his answer is, more tax cuts, all funded by borrowing, all funded by adding to the debt. He's charging it to every American's credit card. Every American is going to have a debt of \$35,000 hanging over their head by 2009 under this President's plan – and again, at the worst possible time, right before the baby boomers retire.

Question: What do you think of the president's budget enforcement proposals in his proposal?

Conrad Answer:

Well, it's fascinating. He wants to go back to paygo, but exclude revenue. You know, it's just not responsible. This is not a serious plan of getting the country out of trouble. In fact, what

this plan does is push us further and further off the cliff of fiscal responsibility and create huge problems for the country going forward. I would just say, as I began, I think this demonstrates this President is the most fiscally irresponsible in the history of the United States, and by a wide margin.

Question: Do you believe that the Republican Congress can draft and pass a budget resolution which would cut the deficit in half in dollar terms as well as percent of GDP in five years, and that the appropriators can then pass bills that fund the government at the level that the President's proposed, which is I think less than one percent for nondefense, nonhomeland security items. Do you think that's possible and doable?

Conrad Answer:

I don't know, but the larger truth is, I believe, that it's largely irrelevant. This problem is so much bigger than this President is admitting to. I mean, those of us who know have got to speak out very clearly and very directly. This talk about cutting the deficit in half is a sham. It's an absolute sham. The deficit, by his own calculation, the addition to the debt by his own calculation is not going to be \$237 billion in 2009. It's going to be more than \$600 billion. He is not dealing with the problem. All this is is window dressing.

Question: Do either of you intend to offer a Democratic alternative budget resolution that shows how you would bring the budget back into balance?

Conrad Answer:

I have always offered alternatives, as you know. I've offered alternatives every year. The alternatives I offered when the economy was weak was to, yes, have a tax cut, but an affordable one -- about half as much as the President proposed with much more going to safeguard Social Security.

Because, you know, we can go back -- I wish I could rerun all the speeches I've given, all the press conferences we've had in which we said, predicted that this is exactly what would happen. Over and over we warned the American people this President was taking us on a reckless course. And it's all come true. In fact, it's worse than what we anticipated.

And now what is the President's answer? There is no serious proposal by this President to deal with the long-term threat to the economic security of this nation. You know, we hear about border security and homeland security, as well we should. There's no talk about fiscal security of this nation, which makes all the rest possible. And this President is putting it all at risk in the most dramatic and fundamental way.

. . . .

One thing we should also say, you know, all of us know, this isn't the President's budget.

This isn't the President's budget. Every time he's submitted a budget, it's not been his budget. Because he's added \$250 billion in supplementals in the three years he's been President. So this game has been played every year. He puts in a budget, say he's showing spending restraint, then he comes with a series of supplementals that dramatically expand the spending while at the same time cutting the revenue base when we've already got record deficits.

Not surprising, the result is a tremendous buildup of debt and at the worst possible time -- at the time the trust funds of Social Security and Medicare are throwing off huge surpluses that he is using to pay for other things, not preparing for the retirement of the baby boom generation when we all know what will happen to the costs to the federal government. That's why I say he's the most fiscally irresponsible President in the history of the country. And history will not treat him kindly. History will not treat him kindly.

Question: There are '05 numbers in the '04 resolution. What's the consequence of getting stuck with those numbers if there isn't a budget agreement?

Conrad Answer:

Well, I don't think we fully appreciate what all the consequences might be, just like I don't think people generally appreciate how very serious the fiscal chasm facing this nation is, because it's unlike anything we've ever seen before. We've never had a baby boom generation coming along, and we've never had a President who when he had record budget deficits, his answer was increase spending and cut the revenue.

It's breathtaking what this President is doing. And it's dangerous and it's reckless.

Thank you.